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FM AMEMBASSY ASHGABAT  
TO RUEHC/SECSTATE WASHDC 3144  
INFO RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY  
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY  
RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE  
RUCNIRA/IRAN COLLECTIVE  
RUCNCIS/CIS COLLECTIVE  
RUCNMEM/EU MEMBER STATES COLLECTIVE  
RUEHAK/AMEMBASSY ANKARA 5431  
RUEHBJ/AMEMBASSY BEIJING 3158  
RUEHKO/AMEMBASSY TOKYO 3023  
RUEHIT/AMCONSUL ISTANBUL 3675  
RUCNDT/USMISSION USUN NEW YORK 1054  
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RUEHVEN/USMISSION USOSCE 3717  
RUEAIIA/CIA WASHDC  
RHEFDIA/DIA WASHDC  
RHEHNSC/NSC WASHDC  
RUEKJCS/SECDEF WASHDC  
RUEKJCS/JOINT STAFF WASHDC

UNCLAS SECTION 01 OF 02 ASHGABAT 000886

SENSITIVE

SIPDIS

STATE FOR SCA/CEN; EEB; NEA/IR  
PLEASE PASS TO USTDA DAN STEIN  
ENERGY FOR EKIMOFF/THOMPSON  
COMMERCE FOR HUEPER

E.O. 12958: N/A

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SUBJECT: TURKMENISTAN/IRAN: AGREEMENT FOR A NEW PRICE AND INCREASED  
EXPORTS OF TURKMEN GAS

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[1](#)1. (U) Sensitive but unclassified. Not for public Internet.

[1](#)2. (SBU) SUMMARY: On July 12, 2009, Turkmen state media reported that Turkmenistan and Iran had agreed to a new price for Turkmen natural gas, to be based on an international formula, as well as to increase the volume of supplies to 14 billion cubic meters (bcm) of gas per year, of which 8 bcm will come from the Korpeje field and 6 bcm from the Dowletabat field. Turkmenistan plans to construct a gas pipeline from the Dowletabat field to the Iranian border in 2009 as part of the supplies increase plan. The two sides also discussed the possibility of increasing the supplies to 20 bcm per year. The decisions were made during the visit of an Iranian delegation led by Seyed Reza Kasaeizadeh, Advisor to the Minister of Oil of Iran and Director General of the National Iranian Gas Export Company. END SUMMARY.

[1](#)3. (SBU) Turkmenistan began supplying gas to Iran in 1997, after the Korpeje - Kurtkui gas pipeline was built, linking Turkmenistan's western gas fields to Iran's Sarakhs - Sari pipeline. The pipeline was capable of carrying 8 bcm annually and the pipes allowed for further increases in pressure to pump up to 13 bcm of gas per year. The two countries had enjoyed a good partnership until January 2008, when Turkmenistan cut gas supplies to Iran over a gas price disagreement, citing maintenance construction problems on the Turkmen section of the pipeline. The supplies resumed in April 2008, when the two sides agreed on a new price, which was never announced publicly.

[1](#)4. (SBU) The Turkmen section of the new pipeline will likely stretch for 15 kilometers, running from the Dowletabat compressor station to a point at the Iranian border close to the existing

Sarakhs - Sari gas pipeline, which is 720/900 millimeters in diameter and is capable of carrying up to 10/12 bcm annually. The pipeline was originally built to transport natural gas from the Sarakhs, Gonbadli, and Khangiran gas fields to feed the city of Mashhad, Iran and a large electrical power plant in Neka. Iran will also need to construct a short pipeline (approximately 7 kilometers long) linking the Turkmen section to the Sarakhs - Sari gas pipeline.

15. (SBU) The Dowletabat gas field, which is the largest operating field in Turkmenistan, is capable of producing 40 bcm of natural gas annually and is considered the main supplier to the Central Asia - Center pipelines system transporting gas to Russia. Those supplies ceased and most of its wells shut down following the April 9 pipeline blast and the resulting row between Russia and Turkmenistan. In addition to the existing capacities, Turkmenistan recently completed the construction of a new pipeline that is designed to bring 4 bcm annually from the southern Garabil/Gurrukbi fields to the Dowletabat gas facilities, thus making it possible to pump 44 bcm from the Dowletabat compressor station annually.

16. (SBU) COMMENT: The price of Turkmen gas supplied to Iran is unlikely to be made public anytime soon. It is probably significantly lower than either the price Turkmenistan got from Gazprom before the April 9 blast and or what it will try to get from Gazprom if the supplies to Russia resume this year. The Iranian price, if made public, could be used by Gazprom as a means to insist on a lower price for Turkmen gas in future negotiations over the resumption of gas supplies to Russia.

17. (SBU) COMMENT CONTINUED: Turkmenistan is capable of delivering on its commitment to increase supplies to Iran. It will not take a great amount of time or financial investment to build a 15-kilometer pipeline, especially as this will not require building compressor stations, and Turkmenistan has sufficient expertise and resources to

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complete it in time. According to a Ministry of Oil and Gas representative, the Korpeje and surrounding gas fields can easily supply 8 bcm per year. Although it will take significant resources and time to restart the Dowletabat wells, this work can be completed even faster than the construction of the new pipeline. Even if supplies to Russia from Dowletabat resume this year, the volume of supplies in the near future would likely be much lower than that of previous years, making sufficient quantities available for export to Iran. Moreover, the supplies to Iran are expected to increase gradually, as it will take time for Iran's level of consumption to increase twofold. Nevertheless, exports of Turkmen gas to Iran will increase steadily and could reach 14 bcm per year by mid-2010 as consumption in northern Iran grows and production in Iran's Gonbadli and Khangiran fields decline due to depletion. Moreover, increased volumes of Turkmen gas can help Iran in meeting its export obligations as the Sarakhs - Sari pipeline is connected to the Iran - Turkey pipeline through the Sari - Rasht - Tabriz pipeline, which is capable of transporting only small volumes of gas.

17. (SBU) COMMENT CONTINUED: The two sides may have discussed the possibility of increasing the volume of supplies up to 20 bcm annually for the following reasons: Iran is currently working on the ambitious project of constructing the Sarakhs - Jask pipeline, which will transport Central Asian gas from northern Iran to the Persian Gulf. Gas from the Dowletabat field could be used for these purposes. Turkmenistan also might be interested in discussing large export volumes as it strengthens its position in negotiations with Russia for the resumption of supplies to Gazprom. END COMMENT.

MILES